


ANNUAL REPORT



Beaver

ENGINEERING

LIMITED



Year ended December 31

1969

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FINANCIAL HIGHLIGHTS

	<u>1969</u>	<u>1968</u>
Net Sales.....	\$6,898,550.	\$5,343,527.
Income Taxes.....	377,760.	259,141.
Net Profit.....	366,773.	246,159.
Earnings per Common Share.....	0.61	0.41*
Dividends paid on Common Shares in cash...	5,200.	25,000.
Dividends paid in form of Stock.....	87,000.	—
Invested in acquisition of Land and Building..	595,236.	—
Invested in other fixed assets.....	78,952.	52,024.
Depreciation on all fixed assets.....	52,876.	22,092.
Backlog entering fiscal period.....	2,713,000.	1,704,000.
Orders Booked during period.....	7,731,713.	6,252,527.
Orders closed (sales) during period.....	6,898,551.	5,243,527.
Backlog as of December 31st.....	3,546,162.	2,713,000.
Working Capital.....	796,400.	396,264.
Cash.....	312,982.	208,404.
Receivables.....	1,512,424.	957,532.
Inventories.....	147,970.	112,594.
Facilities net.....	736,970.	116,039.
Shareholders Equity.....	\$1,401,876.	\$ 579,257.

Shares issued at Dec. 31, 1969—601,300

*Adjusted to the number of outstanding shares at December 31, 1969



President's Report



William H. Harper, President

Your company, Beaver Engineering Limited, is extremely pleased with the progress and accomplishments of 1969. Among the important achievements, are the following new high records with the percentage increase over 1968 shown.

Orders Booked-up	24% to	\$7,731,713.
Net Sales	-up 31% to	6,898,551.
Net Profit	-up 49% to	366,773.
and Backlog	-up 31% to	3,546,162.

Our sales are accounted only on a complete prime cost basis and no profit is taken into our accounts until such time as the project is totally complete. We list as a significant figure—our backlog which represents the sales value of orders in hand on which no profit is reflected in our operating accounts. It should be kept in mind that our volume of service business has been quite predictable, and during 1970 should exceed \$2,000,000, which is not included in backlog.

Our service business increased in volume by over 30% in 1969 and produced a gross margin which after indirect expenses was sufficient to cover over 50% of our administrative and selling overhead expenses. It is the opinion of management that a service business doing acceptable and guaranteed work, must be appreciable in size to be profitable. Ours is both.

During 1969, Beaver acquired all of our physical assets including the building at 70 Queen Elizabeth Blvd. The only asset leased now, other than out of Toronto premises, is our baby computer type N. C. R. accounting machine. New additions to our facilities include expanded office space and equip-

ment in Toronto and Windsor; new trucks, tools, machinery and equipment for expanded volume; a complete new sheet metal shop which we have totally equipped within the Stelco plant in Hamilton from which we will do their sheet metal maintenance and service work. Additions in fixed assets (excluding the original acquisition of the building) have cost the company \$78,952. and allowance for depreciation during the period has been \$52,876.

Our move to the public market with all of the requirements to comply with the regulations of the Toronto Stock Exchange and the Security Commissions required a considerable amount of executive time and attention. Obviously, this time and energy was diverted from the daily operation of the business. The fact that the year has been so successful is a confirmation of the benefits and adequacy of our divisional organization.

ORGANIZATION

Each of our operating divisions operated on a profitable basis during 1969—with Industrial, Residential and Service divisions achieving profits in excess of budgeted amounts. Further, all divisions have accepted higher budgets for both sales and profits in 1970. An additional division, Mechanical and Electrical, has been added, largely for greater internal control and efficiency in the execution of refrigeration work and heating-pipe fitting work.

Salaried Personnel:

We have been continuously recruiting for personnel with exceptional type talents that would help Beaver both today and in long term growth requirements. We set aside a

reasonable sum which is expended in training our personnel to do a better job. Some of this training is in-plant, some of it is carried out in conjunction with our major suppliers and some of it is carried out using the facilities of independent educational groups. During 1969, we increased our engineering forces, added a Chartered Accountant and engaged an engineer with a Masters degree in Business Administration. Hopefully, the integration of these people and continued training will keep our team strong and knowledgeable in the future.

Hourly Workers:

During 1969, we as an industry, negotiated many new labour agreements—all of which extend through to the spring of 1971. Our refrigeration workers lost no time, most of our sheet metal workers lost no time, but our electricians were out on strike for five weeks, and our pipefitters were locked out for seven weeks.

The majority of the wage settlements reached included abnormal and unrealistic wage increases. They were universally so in the construction industry. Corporately, we pass along the higher costs to our customers so our very genuine concern is not so much for our company, but rather the problems these wage increases cause for the total construction industry. There is rarely an increase in production or efficiency to match the wage increase, hence it is all increase in construction costs. The settlements, I am sure, result in serious doubts about the management talents in this industry, and grave concern as to whether labour leaders or labour itself feel any responsibility to the country or its infla-

tionary problems. I believe that unless a realistic and responsible approach toward 1971 negotiations is evidenced early—the possibility of inflationary increases in construction costs will force the government to intervene.

These comments are not intended to convey the feeling of any animosity between management and workers. Rather, they are from a conviction that unless we can, within the industry, conduct our affairs in a sensible manner, the industry itself will suffer. Neither management or labour can profit from this.

To offset some of the cost increases, we are altering our approach to many projects, doing much more shop fabrication of assemblies which used to represent field work and by fitting into construction management teams early enough to influence design and approach and to save valuable construction time (such as Sherway Gardens).

Our organization embraces the best trained, most competent and dedicated employees in the industry. We appreciate the fact that they have earned us our very envied reputation and we count on their continued support. Many of our employees have become shareholders.

We have undertaken a complete review of all of our employee benefit plans and will be able to provide much better coverage for our employees for each unit of personal and corporate cost. The pension plan is also being altered to provide a choice between insured and equity investment for each employee. The resulting pension is expected to be better, but at no increase in cost to either the company or the employee.

OUTLOOK

It is our intent to make some progress towards expanding our direct representation to other regions during the coming year.

It is obvious that the money shortage, high interest rates, and postponement of depreciation will have some continuing adverse affects on the construction industry. There will be some consolidation in the construction industry which we feel could be beneficial to your company. We view the period ahead with perhaps greater confidence than the economy seems to reflect.

Looking to the future, an investment is being made in terms of personnel, training and equipment to facilitate a more complete involvement in the "Pollution Control" business. This should bring financial returns in subsequent periods.

Although dividends have been paid in the past—and were considered this year—your directors have felt that some of the White Paper proposed tax changes could make a future dividend more advantageous. Hence, our dividend policy will be investigated further when additional information on government policy is available.

IN APPRECIATION

Your Directors wish to express their most sincere appreciation . . .

to our Employees for the dedicated performance of their duties;

to our Shareholders for their support and confidence;

to our Suppliers for their excellent service; and

to our valued Customers who permit us to serve them.

On behalf of the Board of Directors
April 7, 1970

W. H. Harper *President*

Beaver ENGINEERING LIMITED



NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

Notice is hereby given that the Annual Meeting of Shareholders of Beaver Engineering Limited will be held in the Royal Room, KING EDWARD HOTEL, Toronto, Ontario on Friday, the 8th day of May at 11:00 o'clock in the forenoon, for the following purposes:

1. To receive and consider the report of the Directors, the financial statements for the year ending December 31, 1969, and the report of the Company auditors;
2. To elect directors;
3. To appoint auditors for the ensuing year;
4. To transact such other business as may properly come before the meeting.

DATED at Toronto, Ontario, April 10, 1970.

By Order Of The Board of Directors

James L. Attwood
Secretary

- (i) Shareholders who may find it inconvenient to attend the meeting in person are requested to complete the attached form of proxy and return it in the enclosed envelope, so that as many shares as possible are represented at the meeting.
- (ii) This notice of meeting is accompanied by an Information Circular.

Beaver ENGINEERING LIMITED



Information Circular

This Information Circular is furnished in connection with the solicitation of proxies by the management of Beaver Engineering Limited (hereinafter referred to as the "Company") for use at the Annual Meeting of the Shareholders of the Company to be held Friday, May 8th, 1970 at 11:00 o'clock in the forenoon.

Appointment and Revocation of Proxies

The persons named in the enclosed form of proxy are directors of the Company. The solicitation is made only by mail. The cost of solicitation will be paid by the Company.

THE SHAREHOLDER HAS THE RIGHT TO APPOINT SOME OTHER PERSON TO REPRESENT HIM AT THE MEETING, AND MAY DO SO BY STRIKING OUT THE NAMES OF SUCH DIRECTORS AND INSERTING SUCH OTHER PERSON'S NAME IN THE BLANK SPACE PROVIDED IN THE FORM OF PROXY.

A Shareholder executing the enclosed proxy form may revoke it at any time before it is exercised.

Exercise of Discretion by Proxies

The persons names in the enclosed form of proxy will vote the shares in respect of which they are appointed in accordance with the direction of the shareholders appointing them. **In the absence of such direction, such shares will be voted for the approval of the annual report and financial statements, and for the election of directors and the appointment of auditors as stated under those headings in this circular.** The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the notice of meeting, and with respect to other matters which may properly come before the meeting. At the time of printing this circular the management of the Company knows of no such amendment, variations or other matters to come before the meeting other than the matters referred to in the notice of meeting.

Voting Shares and Principal Holders Thereof

All Shareholders of record as of the time of the Annual Meeting or any adjournment thereof, are entitled to attend and vote thereat, either in person or by proxy, the shares held by them.

As of April 10th, 1970, the Company had outstanding 601,750 shares without par value, each carrying the right to one vote.

To the knowledge of the directors and senior officers of the Company, no person or Company beneficially owns directly or indirectly more than 10% of the voting shares of the Company except as follows:

<u>Name</u>	<u>Number of Shares</u>	<u>Percentage of Outstanding Shares</u>
William H. Harper	128,000	21.3%
James L. Attwood	128,000	21.3%

Election of Directors

The Board of Directors consists of nine persons, each of whom is elected annually to serve until the next Annual Meeting of Shareholders, or, subject to the Company's by-laws, until his successor is elected or appointed. It is intended that the following persons all of whom are presently directors of the Company, will be nominated at the meeting.

PROXIES IN FAVOR OF MANAGEMENT WILL BE VOTED FOR THE FOLLOWING NOMINEES OR SUBSTITUTE NOMINEES IN THE EVENT OF CONTINGENCIES NOT KNOWN AT PRESENT.

<u>Nominees for Directors & Principal Occupation during the past five years.</u>	<u>Company Offices Held</u>	<u>Director Since</u>	<u>Approximate Number of Shares of the Company Beneficially owned directly or indirectly as at April 10, 1970.</u>
James L. Attwood, P.Eng. Senior Officer of the Company	Vice President and Secretary	July 31, 1954	128,000
Charles E. Bell, P.Eng. Divisional Manager of the Company		Jan. 29, 1956	56,000
Lawrence L. Bell Retired. Prior to January 1, 1970 Partner, Richardson Securities of Canada		Sept. 11, 1969	500
Gerald E. Blair, P.Eng. Divisional Manager of the Company		March 12, 1968	20,000
Lloyd A. Book Divisional Manager of the Company Previously, President of Lloyd A. Book Limited		March 12, 1968	200
Willard Z. Estey, Q.C. Barrister and Solicitor Robertson, Lane, Perrett, Frankish and Estey		Jan. 10, 1967	nil
William H. Harper, P.Eng. Senior Officer of the Company	President and Chairman of the Board	July 31, 1954	128,000
Colin Hersh, P.Eng. Senior Officer of the Company	Vice President	Sept. 29, 1956	40,000
Elmer C. Strongitharm Divisional Manager of the Company		Jan. 10, 1967	16,400

Notes:

- (a) The information as to shares beneficially held has been furnished by each nominee.
- (b) The respective periods of service as an employee or as a director of the predecessor corporation, Beaver Air Conditioning Limited (and its predecessor corporation), have been taken into account in the foregoing table.

Remuneration of Management and Others

The aggregate direct remuneration paid or payable by the Company to the Directors and Senior Officers during the calendar year ending December 31, 1969 amounted to \$132,690.

The contributions to the Company Pension plan on behalf of the Directors and Senior Officers by the Company amounted to \$8,724. in the calendar year ending December 31, 1969.

Option to Purchase Securities

The Company established a stock option plan under which options were granted October 15, 1969 to certain key employees, other than officers of Beaver, to purchase 18,000 shares at a price of \$5.80 per share. The options granted are for a 5 year period, but are exercisable as to not more than 20% on a cumulative basis in each year by each optionee. 6,000 of the above optioned shares are held by directors of which 1,200 were eligible to be exercised and of which options on 600 shares have been taken up. No consideration was received by the Company for the granting thereof. These options will expire in 1974 or earlier upon the optionee ceasing to be an employee of the Company.

Of these 600 shares, 400 were purchased as soon as available under the option agreement. The price range of the shares during the 30 day period preceding November 12, 1969 is not reasonably ascertainable as the shares were not available for public sale during this period. As to the 200 shares, these were purchased April 9, 1970. The price of the shares of the Company during the 30 day period prior to April 9, 1970 reached a high of \$9.00 and a low of \$8 $\frac{3}{8}$.

Interest of Management and Others in Material Transactions

The Company was constituted under the Corporations Act (Ontario) by letters patent of amalgamation dated September 2, 1969 confirming the amalgamation agreement between Beaver Air Conditioning Limited and Lorne Crest Developments Limited. Accordingly, the period commencing September 2, 1969 and ending December 31, 1969 comprises the first financial year of the amalgamated company. There were no transactions effected since September 2, 1969 in which management had a material interest, directly or indirectly, nor are there any proposed transactions in which management has any material interest, direct or indirect. For information as to transactions effected prior to September 2, 1969, in which management had a material interest, reference is made to the final prospectus of the company dated October 15, 1969 relating to an offering of 200,000 shares of the Company, a copy of which may be obtained on request addressed to the Secretary of the Company at the head office thereof.

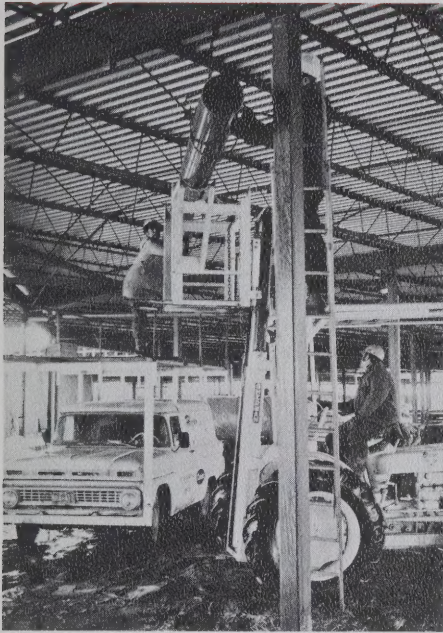
Appointment of Auditors

Proxies in the accompanying form will be voted in favour of the reappointment of Touche, Ross & Co., who have been auditors of the Company and/or its predecessors for more than five years, as Auditors of the Company, to hold office until the next Annual Meeting of Shareholders.

Other Matters Coming Before the Meeting

THE MANAGEMENT KNOWS OF NO MATTERS TO COME BEFORE THE MEETING OTHER THAN THOSE REFERRED TO IN THE NOTICE OF ANNUAL MEETING OF SHAREHOLDERS. SHOULD ANY MATTERS PROPERLY COME BEFORE THE MEETING, PROXIES IN FAVOR OF MANAGEMENT NOMINEES WILL BE VOTED IN ACCORDANCE WITH THE BEST JUDGMENT OF THE PERSONS VOTING THEM.

DATED as of the 10th day of April, 1970.



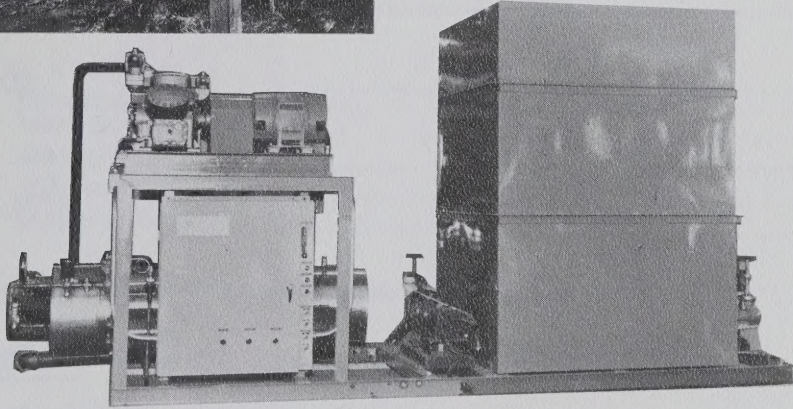
It is impossible in word or picture to describe all of our current activities. At the moment, we are working on projects from Coast to Coast. The illustrations here are somewhat indicative of Beaver's work.

A mobile scaffold made from old service trucks together with a hoisting tractor provides an efficient method to hang pipe and ductwork at the new Shopping Centre . . . SHERWAY GARDENS — Beaver was selected as the mechanical contractor for the heating, ventilating and air conditioning work by the owner, architect, consulting engineer and general contractor in the very early conceptual stages. This approach permitted a full team of all interested elements working together for the most attractive, practical, reliable result within acceptable financial criteria. It also permitted equip-

ment to be ordered long before designs were finalized and even labour in the field to be well advanced before drawings were complete.

It is believed that this team approach resulted in savings of several hundreds of thousands of dollars. It is obvious that future projects will follow a similar pattern.

Beaver's contract is for over 1¾ million dollars, and calls for 2,000 tons of refrigeration, over 50 million British Thermal Units of hot water boilers for heating, over 600,000 cubic feet per minute of conditioned air and over nine miles of piping.



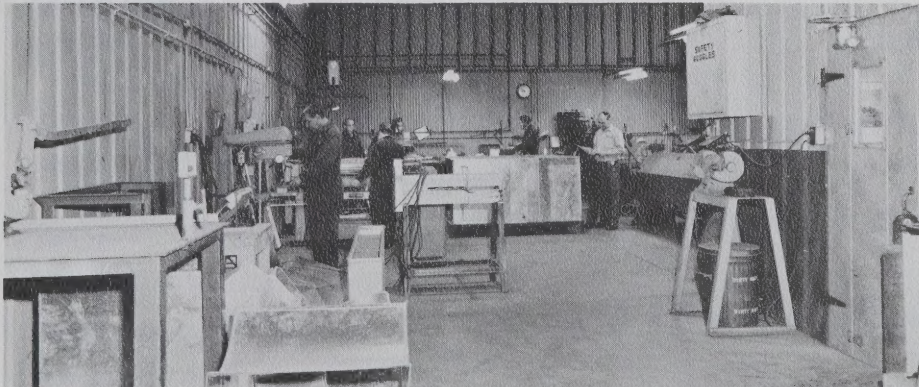
POLLUTION CONTROL, FLUIDS.

BEAVER co-operated with K. S. F. CHEMICAL PROCESS LIMITED to produce this special equipment which was designed to be used in a process to reclaim and regenerate a certain acid from a diluted fluid so that it can be reused in the production process.

The plant in which it will be installed deals with steel products and is located in New Jersey.

Prior to the addition of this reclamation process, these diluted acid solutions had to be discarded.

Pollution control systems for both fluid and air form an increasing part of the work of our Industrial Division.



ON SITE SHEET METAL SHOP.

THE STEEL COMPANY OF CANADA, LIMITED during 1969, asked Beaver to set up this complete sheet metal shop with tools and machinery and trucks to look after the installations in the Stelco plant, Hilton Works. Since September, when it was set up, we have averaged over ten Beaver men on service for Stelco on a continuous basis.



GROWING SERVICE OPERATIONS.

Beaver Service vehicles shown in front of the Company headquarter premises in Toronto. Beaver now has about 70 fully equipped company owned service vehicles in operation.



STATEMENT OF EARNINGS AND RETAINED EARNINGS

for the year ended December 31st, 1969 (with comparative figures for 1968—Note 1)

	<u>1969</u>	<u>1968</u>
SALES	\$6,898,550.	\$5,243,527.
Cost of sales, selling, administrative and other expenses—exclusive of the items listed below.....	6,096,187.	4,716,135.
Depreciation and amortization.....	52,876.	22,092.
Mortgage interest.....	4,954.	—
	<u>6,154,017.</u>	<u>4,738,227.</u>
Earnings for the year before taxes.....	744,533.	505,300.
Provision for income taxes.....	<u>377,760.</u>	<u>259,141.</u>
NET EARNINGS FOR THE YEAR	366,773.	246,159.
Retained earnings at beginning of year.....	<u>566,051.</u>	<u>344,892.</u>
	932,824.	591,051.
Dividends (note 7).....	92,200.	25,000.
Tax paid on election under Section 105(2) of the Income Tax Act.....	13,250.	—
Organization and Share issue expenses (note 8)..... \$41,973.	—	—
Less related reduction of income taxes..... <u>20,729.</u>	<u>21,244.</u>	<u>—</u>
	<u>126,694.</u>	<u>25,000.</u>
RETAINED EARNINGS AT END OF YEAR	<u>\$ 806,130.</u>	<u>\$ 566,051.</u>

BALANCE SHEET as at December 31, 1969 (with comparative figures for 1968—Note 1)

ASSETS	1969	1968
Current		
Cash.....	\$ 312,982.	\$ 208,404.
Accounts receivable (note 2).....	1,512,424.	957,532.
Inventory at the lower of cost and net realizable value.....	147,737.	112,594.
Prepaid expenses.....	377.	6,736.
	<u>1,973,520.</u>	<u>1,285,266.</u>
Fixed, at cost (note 3)		
Land and building.....	636,741.	—
Machinery and equipment.....	70,751.	57,353.
Vehicles.....	125,560.	115,654.
Fixtures and fittings.....	54,511.	42,584.
Leasehold improvements.....	1,835.	—
	<u>889,398.</u>	<u>215,591.</u>
Less accumulated depreciation and amortization.....	<u>152,428.</u>	<u>99,552.</u>
	736,970.	116,039.
Goodwill at cost.....	<u>66,954.</u>	<u>66,954.</u>
	<u>2,777,444.</u>	<u>1,468,259.</u>
LIABILITIES		
Current		
Bank loan—secured.....	—	45,000.
Accounts payable and accrued charges.....	832,820.	522,561.
Income taxes.....	118,980.	250,965.
Deferred income on service contracts.....	79,303.	49,331.
Excess of progress billings on uncompleted contracts over costs incurred to date..	<u>146,017.</u>	<u>21,145.</u>
	1,177,120.	889,002.
Long term debt (note 4).....	<u>198,448.</u>	<u>—</u>
SHAREHOLDERS' EQUITY		
Share capital (note 1, 5 and 6)		
Authorized		
1,200,000 shares without par value		
Issued and fully paid		
601,300 shares without par value.....	595,746.	13,206.
Retained earnings.....	<u>806,130.</u>	<u>566,051.</u>
	<u>1,401,876.</u>	<u>579,257.</u>
	<u>\$2,777,444.</u>	<u>\$1,468,259.</u>

Approved on behalf of the board: W. H. Harper, Director. J. L. Attwood, Director.



STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year ended December 31, 1969

Source Of Funds

Net earnings from operations.....	\$ 366,773.	
Add back items not requiring an outlay of funds		
Loss on disposal of fixed assets.....	381.	
Depreciation charged to Operations.....	<u>52,876.</u>	\$ 420,030.
Issue of Share Capital.....		<u>587,540.</u>
		<u>1,007,570.</u>

Application of Funds

Purchase of land and buildings on June 30, 1969.....	595,236.	
Less 6% Mortgage.....	<u>198,448.</u>	396,788.
Purchase of other fixed assets (note 3).....		78,952.
Redemption of preference shares.....		92,000.
Dividends—cash.....		5,200.
Tax paid on election under Section 105(2) of the Income Tax Act.....		13,250.
Organization and share issue expense net of related income taxes.....		<u>21,244.</u>
		<u>607,434.</u>
INCREASE IN WORKING CAPITAL.....		<u>\$ 400,136.</u>

Because the present company was not in existence in any part of 1968, comparative figures were not prepared.

AUDITOR'S REPORT

The Shareholders,
Beaver Engineering Limited

We have examined the balance sheet of Beaver Engineering Limited as at December 31, 1969 and the statements of earnings and retained earnings and source and application of funds of Beaver Engineering Limited and its predecessor and amalgamated companies for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1969 and the results of the operations and the source and application of funds of Beaver Engineering Limited and its predecessor and amalgamated companies for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the combined financial statements of the predecessor companies for the preceding year.

Toronto, Ontario
March 20, 1970.

Touche, Ross & Co.
Chartered Accountants

1. Principles of Financial Statement Presentation:

Beaver Engineering Limited is a corporation continued under The Corporations Act (Ontario) by letters patent of amalgamation dated September 2, 1969, confirming the amalgamation agreement between Beaver Air Conditioning Limited and Lorne Crest Developments Limited. The financial statements are presented in a form to recognize the continuing and unbroken operations of the predecessor and amalgamated companies. Thus, the statements of earnings and retained earnings and source and application of funds for the year ended December 31, 1969 include the combined and consolidated operations of the two predecessors for the eight months ended September 1, 1969 and the amalgamated operations for the four months ended December 31, 1969. For comparative purposes the combined balance sheet of Beaver Air Conditioning Limited and Lorne Crest Developments Limited as at December 31, 1968 and the combined and consolidated statements of earnings and retained earnings for the year then ended are also presented.

The comparative share capital as at December 31, 1968 represents the combined preferred and common shares of each company outstanding at that date.

2. Accounts Receivable:

Trade.....	\$1,529,289.
Less provision for doubtful accounts.....	39,600.
(1968 provision \$14,337.)	
	1,489,689.
Other.....	10,975.
Amounts due from directors (note 8).....	11,760.
	<u>\$1,512,424.</u>

3. Fixed Assets and Depreciation:

The land and building were acquired by Beaver Air Conditioning Limited in June, 1969. Depreciation on the building has been taken into account for the entire year in an amount equal to the maximum capital cost allowance permissible under the Income Tax Act.

The other fixed assets were acquired by amalgamation on September 2, 1969 of Beaver Air Conditioning Limited and Lorne Crest Developments Limited and by purchases by Beaver Engineering Limited from September 2nd to December 31, 1969. As Lorne Crest Developments Limited had a year end April 30, 1969, for the purposes of consolidation the assets acquired between January 1st and April 30th, 1969 were included in the combined 1968 figures. Hence, the increase in other fixed assets is for an 8 month period ending December 31, 1969.

4. Long-term Debt:

The long-term debt is secured by a 6% mortgage on the building, repayable in monthly installments of \$1,710., combined principal and interest, with the balance maturing in 1984.

5. Share Capital:

On and after the amalgamation on September 2, 1969, the following shares have been issued:

- 500,000 shares in exchange for all the outstanding shares of the predecessor companies amalgamated on September 2, 1969.

- 100,000 shares to the underwriters at a price of \$5.80 (net of commissions), \$580,000 cash.

- 1,300 shares under the Company's stock option plan, at a price of \$5.80, \$7,540 cash.

6. Stock Option Plan:

The Company has established a stock option plan under which 30,000 shares have been reserved, 12,000 to be issued at prices and on terms to be established by the executive committee of the Board of Directors of the Company from time to time and 18,000 to be issued pursuant to options granted to certain key employees, other than officers of the Company. These latter options are for a five year period at a price of \$5.80 per share exercisable as to not more than 20% on a cumulative basis in each year by each optionee and will expire in 1974 (or earlier if the optionee ceases to be an employee of the Company). During the year options on 1,200 shares were forfeited through employees leaving the Company's employment which, together with those taken up, leave options outstanding on 15,500 shares.

7. Dividends:

The dividends shown in all instances are by predecessor companies as no dividends have been declared or paid by Beaver Engineering Limited.

- In 1968 the dividend of \$25,000 was paid on the common shares of Beaver Air Conditioning Limited.
- In 1969 cash dividends were paid prior to amalgamation by Lorne Crest Developments Limited as of April 21, 1969 in the amounts of \$200. on the preference shares and \$5,000 on the common shares.
- In 1969 prior to amalgamation tax paid undistributed income was distributed, through stock dividends, after the payment of the related special tax of 15% under the provisions of Section 105(2) of The Income Tax Act, to:
 - the shareholders of Beaver Air Conditioning Limited in the amount of \$62,700 by the issue of 627 preference shares at par, and
 - the shareholders of Lorne Crest Developments Limited in the amount of \$24,300 by the issue of 243 preference shares at par.
Subsequently all outstanding preference shares were redeemed at par.

8. Organization and Share Issue Expenses:

The total organization and share issue expenses have been borne by the Company (\$41,973.) and the selling shareholders (\$9,191.), essentially as stated in the Prospectus dated October 15, 1969. The Company's portion of this expense, less related income tax reduction, has been written off to Surplus. The selling shareholders' and directors' portion as at December 31, 1969 was charged to their individual accounts, hence the unusually high amount owing at December 31, 1969.

9. Directors' Remuneration & Pension Plan:

The aggregate direct remuneration paid or payable by the Company to the Directors and Officers during the year ending December 31, 1969 amounted to \$132,690.

The contributions to the Beaver Pension plan on behalf of the Directors and Officers by the Company amounted to \$8,724. in the year ending December 31, 1969.

Beaver ENGINEERING LIMITED



DIRECTORS

William H. Harper, *Chairman of the Board*

James L. Attwood, *Toronto, Ont.*

Charles E. Bell, *Toronto, Ont.*

Lawrence L. Bell, *Toronto, Ont.*

Gerald E. Blair, *Toronto, Ont.*

Lloyd A. Book, *Brantford, Ont.*

Willard Z. Estey, *Q.C., Toronto, Ont.*

Colin Hersh, *Toronto, Ont.*

Elmer C. Strongitharm, *Toronto, Ont.*

OFFICERS

William H. Harper, *President*

James L. Attwood, *Vice President & Secretary*

Colin Hersh, *Vice President*

TRANSFER AGENT & REGISTRAR

Canada Permanent Trust Company

Halifax, Toronto, Winnipeg, Calgary and Vancouver

AUDITORS

Touche, Ross & Co., *Chartered Accountants*

Toronto, Ont.

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